



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

October 23, 1997

Charles S. Searle
Senior Vice President
Colorado National Bank
950 Seventeenth Street
Denver, Colorado 80202

Re: Approval of Surety Reduction, Letter of Credit No. A-5380, USMX of Utah, Inc./Dakota Mining Corporation, Gold Strike Mine, M/053/005, Washington County, Utah

Dear Mr. Searle:

By letter dated October 17, 1997 (copy attached), the Division of Oil, Gas and Mining (Division) approved of a request from USMX of Utah, Inc. to reduce the amount of surety being held for reclamation of the Goldstrike Mine in Washington County, Utah. The Bureau of Land Management (BLM), who jointly holds the surety, also authorized the reduction in surety by letter dated October 16, 1997 (copy attached).

The Division and BLM hereby authorize Colorado National Bank to reduce the current \$867,300 Letter of Credit (No. _____) to \$129,200. It is our understanding that the second form of surety (Certificate of Deposit No. _____ \$800,000) will remain unchanged, leaving a total surety of \$929,200 for final reclamation of the Goldstrike Mine. Please inform us how you wish to reduce the amount of the Letter of Credit (LOC) at your earliest convenience. You may choose to reissue the LOC in the reduced amount, or forward a rider to effect the change. We look forward to hearing from soon. Please contact me at (801) 538-5286 if you have any question or concerns in this regard.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Attachments

cc: Larry Gore, BLM, Dixie RA
Dan Stewart, Dakota Mining Corp.
Doug Jensen, USMX of Utah, Inc.
Mary Ann Wright, DOGM

M053005.srl



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October 17, 1997

Doug D. Jensen
Environmental Coordinator
USMX of Utah, Inc.
P.O. Box 2650
St. George, Utah 84770

Re: Partial Approval of Operator Request for Reduction and Release of Reclamation Surety, USMX of Utah, Inc., Goldstrike Mine, M/053/005, Washington County, Utah

Dear Mr. Jensen:

The Division has completed its evaluation of your June 28, 1997, request for a \$641,408 reduction and release from the \$1,667,300 reclamation surety currently on file for the Goldstrike Mine. Your request for surety reduction was based upon the completion of regrading, recontouring and revegetation work performed at the mine to date.

On August 28, 1997, Larry Gore (Bureau of Land Management), Wayne Hedberg and Lynn Kunzler met with you onsite to inspect the reclaimed areas outlined in your letter. They looked at all of the areas except for the reclaimed exploration sites. They agreed to schedule an inspection next spring to evaluate the vegetation success on the exploration project areas. After follow-up consultation with the Division of Water Quality and the BLM, we offer the following observations concerning your surety reduction request: *(Redlined text identifies areas of change from your original table)*

Description	Surety Estimate	% Complete	\$'s requested	\$'s to be released
<u>8.1 Decommissioning</u> (leach pads)	\$648,800	50%	\$369,000	<u>\$324,400</u> (1)
8.2 Regrading (pad #1)	47,259	100%	47,259	47,259
<u>8.6 Topsoiling</u> (Hassayampa Pit)	54,543 <u>(45,543)</u>	95% <u>95%</u>	51,816 <u>(43,266)</u>	51,816 <u>(43,266)</u>
Hamburg Pit	22,516	40%	9,007	9,007
Plant Area	56,571	35% <u>35%</u>	19,266 <u>(19,800)</u>	14,143 (25%) <u>(2)</u>
Moosehead Pit	47,328	100%	2,366	2,366
Beavertail Pit	27,915	100%	1,393	<u>0</u> (3)
<u>8.7 Revegetation</u>				
Total Revegetation	\$122,000	75%	92,100	<u>61,400</u> (50%)
<u>8.8 Highwall Fencing</u>	(122,800)			<u>(4)</u>
Total Highwall Fencing	6,200	100%	6,200	6,200
<u>8.10 Constructn Supvsn.</u>				
Total Const. Supvsn.	86,000	50%	<u>43,000</u>	<u>43,000</u>
		TOTALS	\$641,408	\$551,041

Page 2
Surety Release Request
M/053/005
October 17, 1997

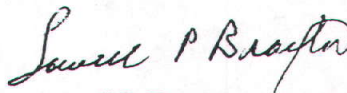
1. The Division of Water Quality has evaluated the adequacy of the heap discharge monitoring results and has performed a recent mine site inspection. On October 8, 1997, Lyle Stott (DWQ) notified our office that DWQ was comfortable with releasing 50% of the calculated decommissioning costs from the existing reclamation surety. The BLM is also in agreement. We have accordingly backed these costs out of the required reclamation surety amount..
2. DOGM and BLM agree to release 25% of the topsoiling estimate for the plant area instead of the 35% figure.
3. Some supplemental revegetation work is necessary on the north facing outslope of the access road leading into the Beavertail Pit area. Additional topsoiling may also be warranted to assist this area in achieving the revegetation success standard. We will retain the \$1,393 until the revegetation standard is met.
4. DOGM and BLM agree to release 50% of the total revegetation cost estimate instead of the 75% figure.

During the inspection, some areas where erosion has started to occur on the out slopes of Heap #1 were noted. It is our understanding that the final contouring and seeding work has not been completed on this heap. In your August 27, 1996 letter regarding Final Closure of Pad 1, you indicate that final contouring and seeding work would be completed during the fall of 1996. To reduce the likelihood of increased erosion on this heap, we strongly recommend that this work be scheduled for completion this fall.

The surety amount currently posted (\$1,667,300) was calculated in 1998 dollars. The surety is scheduled to be reevaluated and escalated in 1998. Accordingly, we have adjusted the 1993 surety estimate by subtracting the amount for the 1995 and 1997 bond reductions and then escalated the subtotal to 2002 dollars (see revised estimate attached). This surety adjustment effectively reduces the required surety amount by \$738,100. The new surety amount is \$929,200 (year 2002 dollars). This amount will be retained for reclamation of the remaining disturbances at the Goldstrike Mine.

Please inform us how you wish to reduce the present sureties so that we may send you the appropriate replacement forms, if necessary. If you have any questions or concerns in this regard, please contact me at (801) 538-5286.

Sincerely,



Lowell P. Braxton
Acting Director

jb
Attachment: (revised surety estimate)
cc: Larry Gore, BLM
Dennis Fredericks, DWQ
Dan Stewart - USMX, Inc. (Corporate)
Robert G. Pruitt, Jr. - Pruitt, Gushee & Bachtell
Mary Ann Wright, DOGM
m053005.rel

last revision 10/15/97
filename m53-05rd.wb2

Goldstrike Mine
Washington County
M/053/005

Prepared by Utah State Division of Oil, Gas & Mining

-This estimate adjustment is in response to the USMX request of June 26, 1997

- This estimate is based on the USMX permit amendment
- Division's 10/4/95 reductions to the 8/29/93 estimate are also shown in this estimate adjustment
- The Division's 10/15/97 reductions in decommissioning, plant area topsoiling & total revegetation differ from those requested in the USMX June 26, 1997 letter due to the BLM & DOGM inspection of 8/28/97
- This adjustment releases 25% of the Plant Area Topsoiling compared to 35% requested by USMX
- This adjustment releases the remaining 5% of Moosehead Pit topsoiling costs (95% of this was released 10/4/95)
- This adjustment retains the 5% of Beavertail Pit topsoiling costs compared to releasing this amount as requested by USMX

Total disturbed area = 421 acres, reclaimed area = 348.8 acres

Task	Quantity	Units	\$/Unit	08/29/93 estimate	10/4/95 reduction	10/04/95 balance	10/15/97 reduction	10/15/97 balance
Decommission leach pads	USMX estimate			648,800	0	648,800	324,400	324,400
leach pads 50% decommissioned								
Regrading	USMX estimate			214,500	\$25,578	\$188,922		
pad #1 100% regraded	236,296	CY	0.20					
Ripping	USMX estimate			12,800	0	12,800	47,259	141,663
Culvert removal	USMX estimate			34,000	\$34,000	\$0	0	12,800
Pit backfilling	USMX estimate			145,000	\$145,000	\$0	0	0
Topsoiling	USMX estimate			378,400	\$197,213	\$181,187		
Hassayampa Pit 95%	57.16	hr	796.77				43,266	
Hamburg Pit 40%	28.26	hr	796.77				9,007	
Plant Area 25%	71.00	hr	796.77				14,143	
Moosehead Pit 5%	59.40	hr	796.77				2,366	
Beavertail Pit						1,396	0	1,396
DOGM to retain current 5% being held								112,405
+Topsolling remaining line item amount								
Revegetation	USMX estimate			122,800	0	122,800	61,400	61,400
total revegetation 50% complete								0
Highwall fence	USMX estimate			6,200	0	6,200	6,200	0
highwall fencing 100% complete								
Miscellaneous	USMX estimate			48,800	0	48,800	0	48,800
Supervision	USMX estimate			86,000	0	86,000	43,000	43,000
supervision 50% complete								
SUBTOTAL				1,697,300	401,791		\$551,041	745,864
+ 10% CONTINGENCY				169,730				74,586
SUBTOTAL				1,867,030				820,450
+ 5 yr ESCALATION(1.42%)				136,378				108,720
TOTAL				2,003,408				929,170
1993 bond posted with DOGM				\$2,067,300				\$929,200
ROUNDED TOTAL (2002-\$)								

ROUNDED TOTAL (2002-\$)



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September 16, 1997

TO: Minerals File

FROM: D. Wayne Hedberg, Permit Supervisor

RE: Site Inspection, USMX of Utah, Inc., Goldstrike Mine, M/053/005, Washington County, Utah

Date of Inspection: August 28, 1997

Time of Inspection: 10:00am - 3:30pm

Conditions: Sunny and warm

Participants: Doug Jensen, USMX; Larry Gore, BLM; Lynn Kunzler and Wayne Hedberg, DOGM

Purpose of Inspection: To evaluate the operator's request for a reduction in surety based upon performance of reclamation at the Goldstrike Mine.

Division and BLM representatives stopped first at the Beavertail Pit location to evaluate the reclamation and revegetation conditions, before meeting Doug Jensen at the Goldstrike mine office. Portions of the outslope of the (northwest-facing) regraded slope below the main access road leading into the Beavertail Pit area (section AA, reclamation treatments map, sheet 1 of 4??) showed marginal revegetation success. It was questionable if this portion had received any topsoil as the surface appeared to be principally composed of wasterock. Russian thistle was the primary vegetation growing in this location. The other disturbed areas associated with the Beavertail Pit showed varying levels of vegetative success, with the upper most (southerly) sections of the pit showing the highest cover, diversity and density. The following species were noted: Yellow sweetclover, globemallow, fourwing saltbush (some plants 4-5 feet tall!), small burnet, brome grass, and rabbitbrush. No significant erosional problems were noted. It was jointly decided that the vegetation success standard was achieved for most of the Beavertail Pit area with the exception of the access road outslopes mentioned above. Doug Jensen later agreed that roughly 6-7 acres in this area need to be redone, which involves the access road and outslopes. Several photos were taken of the area.

We proceeded to the mine office next and met with Doug Jensen. Doug indicated that the effluent discharging from heaps #1 and #2 has dropped to approximately 2.2 gpm and 17 gpm respectively. He stated that about once every 3 weeks they are having to pump roughly 200,000 gallons of effluent back onto heap #2. He also stated that the new owner (Dakota Mining) has abandoned the use of the bio-reactor as a means of treating the effluent discharging from the heaps. They are presently exploring the possibility of using natural attenuation via direct land application as a treatment method. He stated that recent soil samples had been taken from the backfilled Hamburg Pit for laboratory analysis.

Pad #1 was inspected next to evaluate the conditions of vegetation success. Doug said that he had broadcast seeded the backside and upper portions of the regraded heap last September (1996) with some left over seed he had onsite. Forage kochia, Russian thistle, fourwing, western and intermediate wheatgrass, yellow sweet clover, alfalfa, crested wheatgrass and globe mallow were observed growing on the heap. Russian thistle and kochia were the primary species noted on the southwest facing slope. Evidence of some rilling and minor gulying was also noted on this southwest slope. Final contouring, ripping and seeding have not occurred on the majority of this heap to date. We strongly encouraged Doug to actively pursue completing the final reclamation of the heap this fall.

We next inspected the Padre Pit area. The vegetation looked good. Doug indicated that approximately 2 years has passed since the site was seeded last. Some of the species noted included: small burnet, palmer penstemon, yellow sweetclover, alfalfa, fourwing saltbush, forage kochia, bitterbrush, smooth brome, some crested wheatgrass and a fair amount of intermediate wheatgrass. A series of photos were taken to document the conditions at this location. North Mining Company had just recently drilled an exploration hole in this area. We noted one plugged drill hole on the upper access road to the pit which had not been reclaimed yet. A second drill hole location was flagged on the backside (east?) of Heap #2. This site had not been drilled yet. North Mining Company was onsite drilling another hole in the Hamburg Pit area during our inspection.

The facilities/plant site area was evaluated next. The operator is asking for a release of 35% of the reclamation bond being retained for this area. Doug stated that approximately 6 acres of disturbance remain to be reclaimed here. The harsh, dry, southwest facing outcrops below the plant site have achieved marginal vegetation success thus far. The principal species noted include: yellow sweetclover, forage kochia, alfalfa, Russian thistle, intermediate wheatgrass, and fourwing saltbush. Several photos were taken to document onsite conditions. It was decided by the BLM and DOGM that a 25% surety release may be more appropriate for this site at this time.

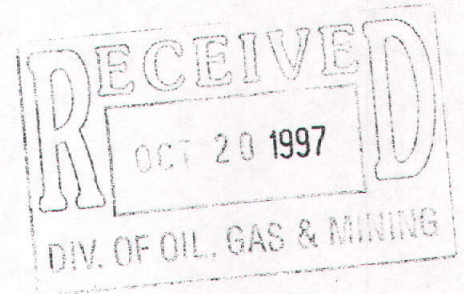
The Moosehead Dump area was inspected next. Species diversity and density varied across the site, being heavier and more diverse in the lower (more westerly) section. The upper (more easterly) sections appeared somewhat drier and harsher which could attribute to the lower level of vegetation success. Species noted in the upper (harsher) area included: alfalfa, yellow sweetclover (somewhat heavy), palmer penstemon, forage kochia, kochia, Russian thistle, Indian ricegrass, small burnet, intermediate wheatgrass, and smooth brome. Species noted in the lower dump area (appeared to have more or better topsoil here) included all of the above with a thick predominant cover of fourwing saltbush. Diversity and density again tended to drop off as one proceeds over the western outslope/edge of the regraded dump into the adjacent drainage.

The final site inspected was the bottom of the partially backfilled Moosehead Pit. Doug indicated it has been three years since this area was seeded. Principal species noted included: fourwing saltbush, palmer penstemon, intermediate wheatgrass, alfalfa, small burnet, bitterbrush and a small amount of orchard grass. The vegetation appeared adequate to meet the vegetation standard. Several photos were taken to document the conditions in the pit area.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CEDAR CITY DISTRICT
DIXIE RESOURCE AREA
345 E. Riverside Drive, Suite 102
St. George, Utah 84770



IN REPLY REFER TO: 3809
UTU-68572
(UT-045)

October 16, 1997

Wayne Hedberg
Division of Oil, Gas, and Mining
1594 West North Temple, Ste. 1210
Box 145801
Salt Lake City, UT 84114-5801

Dear Mr. Hedberg:

I have reviewed the October 15, 1997 reclamation bond adjustment done by your office for the USMX Goldstrike mine (UTU-68572 and M/053/005). All of the adjustments agree with my assessment. The Dixie RA therefore agrees the release of \$551,041 of the bond is reasonable.

Please provide me a copy of the replacement bonding instrument when it is filed.

If you have any questions or comments, please contact me at this office at 435/688-3205.

Sincerely,

Larry Gore
Geologist